



STAMFORD FIREFIGHTERS PENSION FUND

City of Stamford, CT

Chairman Robert Berlingo

Richard Lyons

James Hricay

Gerald Kutz

Brendan Keatley

Meeting purpose: Meet prospective managers, review Actuarial Experience Study and general business

November 3, 2014

A regular meeting of the Stamford Firefighters Pension Fund was held at 12 Noon on Monday November 3rd at Stamford Fire Headquarters.

Present at the meeting were: Chairman Robert Berlingo, Trustee Richard Lyons, Trustee James Hricay, Trustee Gerald Kutz, Trustee Brendan Keatley, Fund Advisor John Beirne and Fund Advisor John Oliver Beirne.

The meeting was called to order at 12:10pm by Chairman Berlingo.

Public Comment

None

Review of Retirements approved since last meeting

None

Review of 2008-2013 Actuarial Experience Study by Hooker and Holcombe

Evan W. Woollacott and Yelena Pelletier presented the experience study that was amended on October 31, 2014.

Mr. Woollacott reviewed the current actuarial assumptions used to create the Actuarial Statements for the pension fund. He reviewed the methods used and the data sources. He then went on to present each of the proposed changes to the assumptions individually.

Retirement Age: Mr. Woollacott created a new table to replace the existing assumption which was age based. The new assumption table is based on years of service and more closely reflects the actual data. The existing table predicted 96 retirements for the sample period and there were actually only 26 retirements. The new table would have predicted 37 retirements, which more reasonably matches actual experience.

Mortality Basis: Mr. Woollacott recommended keeping the current RP-2000 Mortality Table with separate male and female rates and with blue collar adjustment. He noted that a new table was just published within the last 30 days and he would probably recommend moving to that table during the next experience evaluation.

Salary Scale: Mr. Woollacott recommended moving to a service based salary increase table from the current age based table. He stated that the new table more closely reflects the actual increases. Trustee Kutz pointed out that the data reflect 3 years of no increases due to ongoing negotiations. The table reflects not only cost of living wage increases but also increases in pay due to promotion and education increases. Thus, Mr. Woollacott suggested that we raise the minimum increase from 3% to 3.5%. The aggregate of this should take into account the retro and future cost of living increases that average around 2%. The board agreed with the modification. Trustee Hricay asked about the effect on the City's Annual Required Contribution. Mr. Woollacott replied that it would cause the contribution to increase.

Vacation Bank Assumption: Mr. Woollacott recommended moving this assumption from 50% to 60% based on the data. It more closely reflects that actual history.

Interest Assumption: Mr. Woollacott recommended lowering the interest assumption from 7.75% to 7.25% based on our stated portfolio distribution. There was much discussion surrounding the fixed income rates of 5%. It will be almost impossible to generate 5% in this area in the foreseeable future. However, it was pointed out that these are 20 year averages. The fund advisors indicated that they were comfortable with the returns that Mr. Woollacott presented. They also indicated that they were comfortable with the new aggregate interest assumption of 7.25%.

Actuarial Cost Method: Mr. Woollacott recommended leaving the general "Projected Unit Credit" method unchanged, however recommended making a minor change to the amortization policy. He recommended moving to a partially closed amortization policy. The current unfunded accrued liability will be completely amortized over a 15 year period. With each future valuation we would amortize any changes in the unfunded accrued liability due to actuarial experience, plan changes or assumption changes over 15 years. In the meantime, the past amortization amounts continue until completely amortized.

Trustee Kutz asked Mr. Woollacott if the new method under the new GASB rules is identical to the Actuarially Required Contribution (ARC) mandated by the previous GASB rules. Mr. Woollacott answered that it was identical.

After much discussion on the various changes, the board came to consensus on the report with the noted change to the salary assumption.

A **MOTION** was made by Trustee Lyons and seconded by Trustee Keatley at 1:25pm to accept the report as presented with the amendment to change the minimum wage increase from 3% to 3.5%. Motion **PASSED**, unanimously.

A discussion ensued regarding what Actuarial report will use these assumptions for the first time. It was pointed out that the 2013 Study was already in Draft/Final version and that the city has used the numbers for their 2015 budget. The discussion was interrupted by the arrival of prospective fund managers, and tabled for later in the meeting.

Prospective New Mid-Cap Managers

The following three firms were interviewed at the request of the board as possible replacements for the Neuberger Berman Mid Cap Fund.

Scout Investments: Scout Mid Cap Equity Strategy

Jason Votruba and Jonathan Lewis presented Scout's Mid Cap Equity Strategy. They indicated that the fund has about \$4 Billion under management. The same three people who started the strategy are still with the firm, and they have added 2 additional people to the team including Jason Votruba. Their strategy includes 100 market indicators that they use for their top down approach. They then employ a bottom up strategy to add to the portfolio. They experience 100% to 200% turn over, two thirds in existing names and one third in new names in and out. They are currently overweight in Utilities within the fund.

They use the Russell Mid Cap as their index. Their fees are 80 basis points, and minimum investment is \$10 million.

Apex Capital Management: SMID Growth

Kurt Graham and Jan Terbruggen presented Apex Capital's SMID Growth Fund. They use a Top Down and Bottom Up Intersection strategy to guide their investment strategies. They introduced the team that manages the fund and went through the strategies that they employ. They experience a 70% listed turn over, with the actual turn for the last 5 years being 42%. They usually have between 50 and 75 names in the portfolio.

They use the Russell 2500 Growth as their index. Their fees are 1% with a minimum investment of \$1 million.

Teton Advisors: Mid Cap Equity Strategy

Diane Wehner and Scott Wilcox presented the Teton Advisor's Mid Cap Equity Strategy. They currently have \$2 Billion under management total and \$500 Million in the Mid Cap Strategy. They experience around 25% turn over and in the most recent 5 years it has been less. They usually have about 70 to 90 high quality growth names in their portfolio. They use a bottom up approach the targets innovative and unique companies trading at reasonable valuations, relative to their growth prospects and intrinsic value. A thematic and macro-economic backdrop is use in stock selection.

They use the Russell Mid Cap as their benchmark and their fees are 1% with a \$5 Million minimum investment.

Review of Existing Fund Managers

Beach Point Capital Management

Paul Labib and Brian Himot presented for Beach Point Capital Management. They first presented results for the existing funds that the pension fund owns. Total Return Performance summary showed an 8.74% annualized return since our investment in November of 2012. Loan Performance summary showed a 3.92% annualized return since our investment in April of 2013.

Beach Point then presented a new investment opportunity called the Beach Point Capital Opportunities Fund II (Onshore). This is a higher risk loan fund with a capital commitment and draws for specific opportunities. They explained some of the opportunities in this fund and then went on to explain the terms. The fund requires a capital commitment and then Beach Point will periodically make capital calls for the first three years. They have the right to sell and return capital and then call it back for up to three years. The following three years they will return the capital as the deals mature.

They currently have \$170 million in committed capital and are closing the fund at \$250 million.

Old Business

None

General Business

A discussion ensued regarding the Beach Point new opportunity and the consensus was that it did not fit our current needs for the fund.

A discussion ensued regarding the replacement for the Neuberger Berman Mid Cap fund. Chairman Berlingo asked each trustee for their list of preference from the three presentations that were presented. The unanimous consensus was that Apex was at the top of the list, due to their strategy and fact that they were a Growth opportunity.

A **MOTION** was made by Trustee Keatley and seconded by Trustee Lyons at 5:00pm to terminate Neuberger Berman Mid Cap Fund and move the capital or assets to the APEX Capital Management SMID Growth fund (Approx. \$7 Million). Motion **PASSED**, unanimously.

Next Meeting

Next meeting of the pension board was scheduled for **Tuesday January 6, 2015** at noon in the Commissioners Conference Room at Fire Headquarters.

Minutes of Previous Meeting

Trustee Kutz read the minutes from the September board meeting.

A **MOTION** was made by Trustee Lyons and seconded by Trustee Keatley at 5:10pm to accept the minutes from the September board meeting. Motion **PASSED** unanimously.

Experience Study

The discussion resumed about when to begin using the assumption changes adopted by the board. Since the city had already used the 2013 number in the budget, the consensus was to use the new assumption changes for the 2014 report for the period ending June 30, 2014.

A **MOTION** was made by Trustee Lyons and seconded by Trustee Keatley at 5:15pm to start using the adopted actuarial assumption from the 2008-2013 Experience Study in the 2014 actuarial report for the period ending June 30, 2014. Motion **PASSED** unanimously.

Trustee Keatley attended the 2014 NCPERS Public Safety Conference. He plans to give a presentation at the January board meeting. He presented Chairman Berlingo with his associated expenses.

A **MOTION** was made by Trustee Hricay and seconded by Trustee Lyons at 5:20pm to approve the expenditure of \$2,186.47 for Trustee Keatley's attendance at the NCPERS conference. Motion **PASSED** unanimously.

A **MOTION** was made by Trustee Lyons and seconded by Trustee Berlingo at 5:25pm to adjourn the meeting. Motion **PASSED** unanimously.